

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

: INDICTMENT

-v.-

1:11 Cr () 599

THEODORE L. FREEDMAN,

Defendant.

:

- - - - -x

COUNTS ONE THROUGH FOUR

(Subscribing to False U.S. Individual Income Tax Returns)

The Grand Jury charges:

Introduction

1. Pursuant to the Internal Revenue Code and attendant regulations, individual taxpayers generally are required annually to accurately report their income, attendant tax obligations, and, where appropriate, any claim for a refund on a U. S. Individual Income Tax Return, Form 1040 ("Form 1040" or "tax return"), which must be filed with the Internal Revenue Service of the United States Department of the Treasury (the "IRS").

2. Pursuant to the Internal Revenue Code and attendant regulations, partnerships are required annually to file partnership tax returns (Forms 1065) with the IRS, but are not required to pay income taxes in their own right. The income or loss from their operation, by law, flows through to the partners, who are required to declare such income or loss on their personal income tax returns and, when required, pay any personal income taxes owed based upon that partnership income. The precise amount of each partner's

JUDGE BATTIS

distributive share of income or loss from a partnership is reported on an IRS Schedule K-1 ("Partner's Share of Income, Credits, Deductions, etc."), which partnerships are required to provide to each partner and file with the IRS together with the partnership's Form 1065.

3. An IRS Schedule E ("Income or Loss from Partnerships and S Corporations") is attached to a Form 1040 when applicable, listing the amounts of income and loss from partnerships and S corporations. A taxpayer is required to report on a Schedule E any income earned, as reported in his partnership's Schedule K-1.

4. An IRS Schedule C ("Profit or Loss from Business (Sole Proprietorship)") is attached to a Form 1040 when applicable, listing the amounts of income and expenses, and the resulting net profit or loss, for a taxpayer's self-owned business. The net profit or loss as calculated on a Schedule C (income minus expenses) is included in the computation of a taxpayer's income on a Form 1040, and a business loss generally reduces the taxpayer's taxable income.

The Defendant's Law Firm Income

5. At all times relevant to this Indictment, THEODORE L. FREEDMAN, the defendant, was an attorney licenced to practice in the State of New York. At all times relevant to the Indictment, FREEDMAN was a senior partner in a major United States law firm (the "Law Firm"), which operated as a partnership and maintained

offices in the United States, Europe, and Asia. FREEDMAN was based in the Law Firm's offices in New York, New York, where he was a member of the Law Firm's restructuring group.

6. As a Law Firm partner, THEODORE L. FREEDMAN, the defendant, received income that was calculated as a percentage of the Law Firm's partnership income for a given year.

7. At all times relevant to this Indictment, the Law Firm issued to each of its partners Schedules K-1. Accordingly, the Law Firm issued to THEODORE L. FREEDMAN, the defendant, Schedules K-1 that showed that FREEDMAN's aggregate partnership income for calendar years 2001 through 2004 was approximately \$5,388,699.

The Defendant's False and Fraudulent Tax Reporting

8. THEODORE L. FREEDMAN, the defendant, and his spouse filed joint U.S. Individual Income Tax Returns, Forms 1040, for calendar years 2001 through 2004, which were mailed to the IRS either from New York, New York or from Dutchess County, New York, in the Southern District of New York. FREEDMAN signed each tax return and indicated on each that he had self-prepared the return.

9. THEODORE L. FREEDMAN, the defendant, attached to each of the Forms 1040 he filed for the tax years 2001-2004 a Schedule E, which, as noted, is supposed to report, among other things, the amounts of a taxpayer's income or loss from partnerships and S corporations, as reflected on the Forms K-1

received by the taxpayer. Rather than reporting the true and correct amount of partnership income he received from the Law Firm for the tax years 2001-2004, however, FREEDMAN prepared Schedules E for each of those years that falsely and fraudulently under-reported his partnership income from the Law Firm in the aggregate amount of approximately \$2,097,211.

10. THEODORE L. FREEDMAN, the defendant, attached to each of the Forms 1040 he filed for the tax years 2001-2004 a Schedule C, which, as noted, is supposed to report, among other things, the amounts of income and expenses, and the resulting net profit or loss, for a taxpayer's self-owned business. On the Schedules C for the tax years 2001, 2002, and 2004, FREEDMAN falsely claimed that he was the sole proprietor of a legal practice based in Dutchess County, New York. On the Schedule C for the tax year 2003, FREEDMAN falsely claimed that he was the sole proprietor of a legal practice based in New York, New York, located at the Law Firm's Manhattan address. On each of the Schedules C for the 2001-04 tax years, FREEDMAN falsely and fraudulently claimed to have sustained significant losses for that fictitious sole proprietorship, in the total aggregate amount of approximately \$542,358.

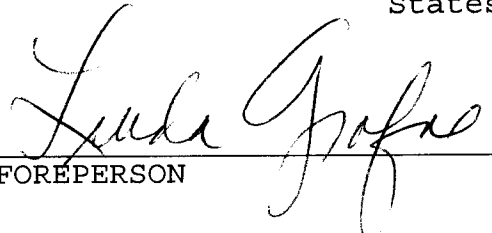
Statutory Allegations


11. On or about the filing dates set forth below, in the Southern District of New York and elsewhere, THEODORE L. FREEDMAN,

the defendant, willfully and knowingly made and subscribed U.S. Individual Income Tax Returns, Forms 1040, for the calendar years set forth below and filed on or about the dates indicated below, which returns contained and were verified by FREEDMAN's written declaration that they were made under penalties of perjury, and which returns FREEDMAN did not believe to be true and correct as to every material matter, in that, among other things, on Schedules E, FREEDMAN under-reported his partnership earnings as listed on the K-1s issued to him by the Law Firm, and, on Schedules C, FREEDMAN falsely claimed that he was the sole proprietor of a legal business for which he listed various expenses and deductions that he was not entitled to take, in the amounts set forth below:

Count	Tax Year	Approx. Date of Filing	Partnership Income As Reflected On K-1	Partnership Income As Falsely Reported By Freedman	Total Expenses Falsely Claimed In Schedule C	Additional Federal Income Tax Due And Owing
One	2001	10/17/02	\$1,022,623	\$542,053	\$166,236	\$237,689
Two	2002	10/16/03	\$1,191,580	\$681,303	\$106,583	\$248,267
Three	2003	10/18/04	\$1,370,416	\$864,052	\$118,042	\$235,849
Four	2004	10/20/05	\$1,804,080	\$1,204,080	\$157,865	\$291,256
TOTAL			\$5,388,699	\$3,291,488	\$548,726	\$1,013,061

(Title 26, United States Code, Section 7206(1); Title 18, United States Code, Section 2.)


FOREPERSON


PREET BHARARA
United States Attorney

Form No. USA-33s-274 (Ed. 9-25-58)

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

UNITED STATES OF AMERICA

- v. -

THEODORE L. FREEDMAN,

Defendant.

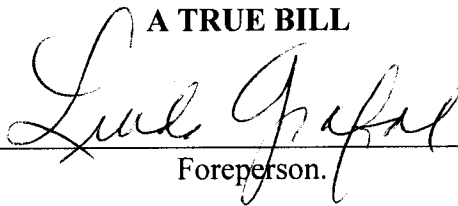
INDICTMENT

(Title 26, United States Code, Section 7206(1), and
Title 18, United States Code, Section 2.)

PREET BHARARA

United States Attorney.

A TRUE BILL


Foreperson.

7-13-11
WJ

Filed Indictment. A/W issued case
assigned to J. Battis.

Francis
U.S.M.J.